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UNCLAS SECTION 01 OF 02 PORT OF SPAIN 000127

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STATE FOR EEB/IFD/OMA-SNOW AND FIGUEROA
STATE FOR WHA/EPSC-MAIER AND WHA/CAR-JROSHOLT
TREASURY FOR WESTERN HEMISPHERE - JEWELL, GRAY

E.O. 12958: N/A

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SUBJECT: FISCAL TRANSPARENCY IN TRINIDAD AND TOBAGO

REF: State 16737

11. Per reftel request, Post provides the following assessment of fiscal transparency in Trinidad and Tobago.

12. The Government of Trinidad and Tobago (GOTT) publishes revenue and expenditure information each year in presenting its annual budget to Parliament. Current projections as well as prior year outcomes are published by the Ministry of Finance and also posted at the Ministry's website, <http://www.finance.gov.tt/>, via the Budget Statement, the annual Review of the Economy report, and the Public Sector Investment Program.

13. These documents provide reliable data for all general categories of revenue and expenditure, with explanations of any significant changes in specific line items from year to year. For revenues, the Review of the Economy provides numbers broken out by the various tax and non-tax revenue sources and provides detail on energy sector and non-energy sector revenues in relevant categories. However, the Government does not disclose payments by individual companies operating in the oil and gas sector. Expenditures are reported in similar fashion, with project-related spending and foreign assistance detailed in the Public Sector Investment Program.

14. Trinidad and Tobago passed legislation in March 2007 to convert the existing Interim Revenue Stabilization Fund into the Heritage and Stabilization Fund (HSF), modeled on best practices for sovereign wealth funds and drawing on advice from the World Bank. The legislation establishes clear rules for deposits and withdrawals when petroleum revenues exceed or fall short of GOTT projections by more than 10%, as well as a governance structure requiring quarterly and annual reports to the HSF's board by a professional asset manager. The GOTT appointed the HSF board in 2007 and as of March 2008 was in the process of recruiting a fund manager. The HSF balance as of early 2008 was US\$1.8 billion, equivalent to 11% of GDP.

15. The most significant weaknesses in fiscal transparency in Trinidad and Tobago relate to public procurement. Recent years have seen a proliferation of special-purpose public enterprises that are not required to work through the Central Tenders Board. While budget allocations to these companies are known, questions have been raised about the integrity of contract tender and award procedures, particularly for infrastructure projects.

16. The GOTT issued a white paper on public procurement reform in August 2005 but to date has not followed through on its stated intention to table new procurement legislation. This delay reflects a GOTT decision to put higher priority on using energy sector revenues to fund rapid development. Asked about the status of procurement reform in August 2007 (concurrent with the 2008 budget presentation to Parliament), a Government minister reported that the first draft of new procurement legislation had been rejected because the proposed framework was cumbersome and would have slowed the pace

of government funded projects.

¶7. The U.S. Government has supported revenue transparency in Trinidad and Tobago by providing advisory teams in key areas to the GOTT on a contract basis and also through U.S. support for the Extractive Industries Transparency Initiative (EITI). An advisory team from U.S. Customs and Border Protection (CBP) has provided advice on customs modernization and secure trade since 1994. Implementation of CBP advisory team recommendations has increased transparency, for example, by bringing customs, agriculture, and product safety inspectors together in a one-stop-shop examination station. Another advisory team from the U.S. Internal Revenue Service (IRS) provided the GOTT with advice on automated tax return processing by Trinidad and Tobago's Board of Inland Revenue (BIR) and on the proposal to merge Customs and the BIR into a unified revenue authority. By the time the IRS Advisory Team's contract concluded at the end of FY-2007, the BIR automation project was under way but not complete, while the GOTT timetable for establishing a revenue authority has slipped to the first quarter of ¶2009.

¶8. Trinidad and Tobago was among the first developing country to voice support for the EITI, but GOTT implementation has fallen behind other EITI candidates. GOTT Cabinet ministers publicly stated their commitment to follow through with EITI in August/September 2007. Since then, however, Trinidad and Tobago has not reported progress on candidacy criteria to the EITI Board.

¶9. Aside from other countries that support EITI, Post is not aware of other donors or multilateral institutions providing assistance on fiscal transparency. Trinidad and Tobago authorities cooperate with the International Monetary Fund (IMF) in conducting annual Article IV Consultations, but T&T has not volunteered for the IMF to report on its compliance with standards and codes covering fiscal

PORT OF SP 00000127 002 OF 002

transparency.

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